



EAGLE GROWTH SHARES, INC.
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OFFICERS

Donald H. Baxter

Chairman and President

Ronald F. Rohe

Vice President/Secretary/Treasurer

ADMINISTRATIVE STAFF

Keith A. Edelman

Director of Operations

Diane M. Sarro

Director of Shareholder Services

DIRECTORS

Donald H. Baxter

Thomas J. Flaherty

James Keogh

Kenneth W. McArthur

Robert L. Meyer

Donald P. Parson

You will find important information about EAGLE GROWTH SHARES, INC. — its investment policy and management, past record, the method of calculating the per-share net asset value and the sales commission included in the public offering price — in the current prospectus. This report is submitted for the general information of the Fund's shareholders. It is not authorized for distribution to prospective investors unless preceded or accompanied by an effective prospectus.



**EAGLE
GROWTH
SHARES** INC

ANNUAL REPORT

November 30, 2001

EAGLE GROWTH SHARES, INC.

PRESIDENT'S LETTER – January 8, 2002

Every six months, I report to you on matters affecting Eagle Growth Shares. Today I am writing with sadness in my heart. For many years the fund's headquarters were in lower Manhattan; during many of those years, Doreen Gray contributed to the smooth operation of the fund. Doreen closed her career with the fund as its Secretary and Treasurer in 1990.

On September 11, 2001 her son, James, a member of the New York City Fire Department, died in the line of duty at the World Trade Center. James leaves a wife, two children, parents, and a sister. His father, Pat, retired as a lieutenant with the New York City Fire Department. James' fun loving grin highlighted rugged good looks. He helped keep America safe, and his heroism makes us proud.

Doreen and Pat, we deeply regret your loss.

* * * * *

We began our fiscal year's second half 96% invested in equities. As the economic storm worsened, we reduced equity holdings to 72.5% of our portfolio. These changes and others earlier in the year, enabled your fund to declare a \$1.50 long term capital gain for the year.

We hold 26.9% of our portfolio in Treasury bills. Despite turmoil in the markets, we added three new stocks to our portfolio. Ball Corporation, a glass container manufacturer benefiting from lower natural gas prices; P.F. Chang, a fast growing restaurant chain; and White electronics, in line for more defense spending.

The market shows some enthusiasm for the economy's future, while signs of economic recovery point both up and down. Because signals are mixed, we have maintained our watchful position.

The Federal Reserve Board has cut interest rates eleven times in an effort to restart the economic engine. The Fed first eased credit January 3, 2001. With the exception of 1976, during 13 periods of interest rate cuts over the last 40 years, the S&P 500 index climbed during the 12 months following the first cut. This time, the index is down over 10% since the first cut in 2001.

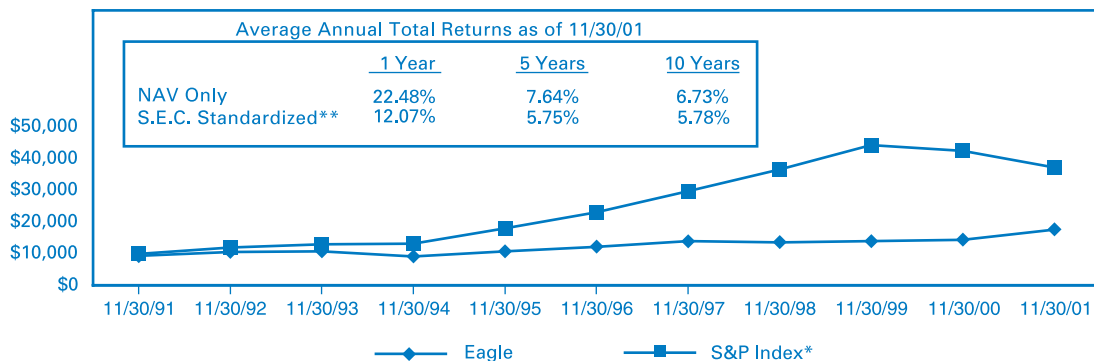
This has been an unusually long bear market, perhaps because of its height at the peak. Recent market exuberance seems overly optimistic. We expect the opportunity to invest more soon.

Very truly yours,

A handwritten signature in blue ink that reads "Donald H. Baxter". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donald H. Baxter
President

Comparison of the change in value of \$10,000 investment in Eagle Growth Shares and the Standard and Poor's Index*



The return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be more or less than their original cost. Past performance is not predictive of future performance.

* The Standard & Poor's 500 Composite Stock Index is a widely recognized unmanaged index of common stock prices. Performance figures include the change in value of the stocks in the index and reinvestment of dividends.

** The maximum sales charge of 8.5% was taken from the initial investment when calculating the SEC standardized return figures.

EAGLE GROWTH SHARES, INC.

PORTFOLIO OF INVESTMENTS — NOVEMBER 30, 2001

Shares		Value
COMMON STOCKS—72.5%		
AEROSPACE/DEFENSE—3.4%		
1,500	*Alliant Techsystems Inc.	\$ 118,200
BUSINESS SUPPLIES & SERVICES—3.4%		
6,000	Harland (John H.) Co. .	119,100
CONSTRUCTION—3.2%		
3,000	Lennar Corp.	111,600
CONSUMER PRODUCTS—2.1%		
5,000	*Elizabeth Arden, Inc. . .	71,250
DIVERSIFIED ELECTRONICS—0.9%		
5,000	*White Electronic Designs Corp.	29,450
FINANCIAL SERVICES—8.0%		
2,000	Federal Home Loan Mortgage Corp.	132,340
2,000	First Data Corp.	146,480
		278,820
FOOD DISTRIBUTION—5.8%		
6,000	*Performance Food Group Co.	204,000
HEALTH CARE PLANS—1.8%		
5,000	*Humana, Inc.	62,900
INSURANCE—2.2%		
1,000	*First Health Group Corp.	24,050
2,000	Leucadia National Corp.	53,680
		77,730
MEDICAL EQUIPMENT & SUPPLIES—3.1%		
3,000	*STERIS Corp.	58,290
3,000	*Thoratec Corporation . .	51,000
		109,290
PACKAGING—2.0%		
1,000	Ball Corp.	68,520

Shares		Value
REAL ESTATE—8.2%		
5,000	LNR Property Corporation	\$ 143,000
10,000	United Dominion Realty Trust, Inc. . .	143,900
		286,900
RESTAURANTS—2.5%		
2,000	*P.F. Chang's China Bistro, Inc.	88,200
RETAIL SPECIALTY—7.8%		
3,000	*BJs Wholesale Club .	135,000
4,000	*Copart, Inc.	137,120
		272,120
TECHNICAL SERVICES—4.2%		
2,000	*CACI International Inc., CI "A"	147,940
TOYS & GAMES—2.6%		
5,000	Mattel, Inc.	92,050
UTILITIES—5.0%		
10,000	*Southern Union Co. . .	175,000
WASTE MANAGEMENT SERVICES—6.3%		
4,000	*Stericycle Inc.	221,520
	Total Value of Common Stocks (Cost \$1,339,076) .	2,534,590
Principal Amount		
SHORT-TERM INVESTMENTS—26.9%		
\$940M	U.S. Treasury Bill 1.75% due 12/06/2001 (Cost \$939,772) ...	939,772
Total Value of Investments (Cost \$2,278,848)		
	99.4%	3,474,362
Other Assets, less Liabilities		
	0.6	22,096
Net Assets	100.0%	\$3,496,458

* Non-income producing security

See notes to financial statements

EAGLE GROWTH SHARES, INC.

STATEMENT OF ASSETS AND LIABILITIES — NOVEMBER 30, 2001

ASSETS

Investments in securities, at value (identified cost \$2,278,848) (Note 1-A)	\$3,474,362
Cash	28,697
Other assets	<u>1,553</u>
Total Assets	<u>3,504,612</u>

LIABILITIES

Payable for capital stock redeemed	\$2,500
Accrued advisory and administrative fees	2,915
Other accrued expenses	<u>2,739</u>
Total Liabilities	<u>8,154</u>

NET ASSETS	<u><u>\$3,496,458</u></u>
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NET ASSET VALUE PER SHARE

($\$3,496,458 \div 234,117$ shares outstanding)	
10,000,000 shares authorized, \$0.10 par value (Note 2)	<u>\$ 14.93</u>

NET ASSETS CONSIST OF:

Capital paid in	\$1,949,587
Accumulated net realized gain on investments	351,358
Net unrealized appreciation in value of investments	<u>1,195,513</u>
Total	<u><u>\$3,496,458</u></u>

SAMPLE PRICE COMPUTATION

Net asset value per share	\$ 14.93
Sales commission: 8½% of offering price*	<u>1.39</u>
Offering price (adjusted nearest cent)	<u><u>\$ 16.32</u></u>
 Redemption price	 <u><u>\$ 14.93</u></u>

*On purchases of \$10,000 or more the offering price is reduced.

See notes to financial statements

EAGLE GROWTH SHARES, INC.

STATEMENT OF OPERATIONS — YEAR ENDED NOVEMBER 30, 2001

INVESTMENT INCOME

Income:		
Dividends	\$ 24,750	
Interest	<u>12,555</u>	
TOTAL INCOME		\$ 37,305
Expenses (Note 4):		
Transfer agent and dividend disbursing agent's fees and expenses	28,676	
Investment advisory fee	25,665	
Professional fees	20,768	
Registration fees	11,315	
Administrative fee	8,555	
Fund accounting agent's fees	7,663	
Custodian fees	6,237	
Reports and notices to shareholders	5,378	
Other expenses	<u>3,368</u>	
TOTAL EXPENSES	117,625	
Less: Custodian fees paid indirectly	<u>3,185</u>	<u>114,440</u>
INVESTMENT INCOME—NET		(77,135)

REALIZED AND UNREALIZED GAIN (LOSS)

ON INVESTMENTS (Note 3):

Net realized gain on investments	350,090	
Net unrealized appreciation of investments	<u>383,244</u>	
Net gain on investments		<u>733,334</u>

NET INCREASE IN NET ASSETS RESULTING

FROM OPERATIONS	<u>\$656,199</u>
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See notes to financial statements

EAGLE GROWTH SHARES, INC.

STATEMENT OF CHANGES IN NET ASSETS — YEARS ENDED NOVEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment loss	\$ (77,135)	\$ (31,700)
Net realized gain on investments	350,090	2,179
Net unrealized appreciation of investments	<u>383,244</u>	<u>128,160</u>
Net increase in net assets resulting from operations	656,199	98,639
DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	—	(3,469)
Net realized gain on investments	—	(194,646)
CAPITAL SHARE TRANSACTIONS		
Increase (decrease) in net assets resulting from capital share transactions (Note 2)	<u>(34,040)</u>	<u>67,150</u>
Net increase (decrease) in net assets	622,159	(32,326)
NET ASSETS		
Beginning of year	<u>2,874,299</u>	<u>2,906,625</u>
End of year	<u><u>\$3,496,458</u></u>	<u><u>\$2,874,299</u></u>

See notes to financial statements

EAGLE GROWTH SHARES, INC.

NOTES TO FINANCIAL STATEMENTS

1. Significant Accounting Policies

Eagle Growth Shares, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as a diversified open-end management investment company. The Fund's investment objective is to achieve growth of capital. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements.

A. Security Valuation – securities listed on national exchanges or the NASDAQ National Market are valued at the closing sales price on November 30, 2001. Short-term obligations are stated at amortized cost which approximates fair value.

B. Federal Income Taxes – no provision has been made for Federal income taxes on net income or capital gains, since it is the policy of the Fund to continue to comply with the special provisions of the Internal Revenue Code applicable to investment companies and to make sufficient distributions of income and capital gains to relieve it from all, or substantially all, such taxes.

C. Distributions to Shareholders – the Fund distributes its net investment income, if any, and net realized gains annually. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles.

D. Use of Estimates – the preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual amounts could differ from those estimates.

E. Other – security transactions are accounted for on the date the securities are purchased or sold. Cost is determined, and gains and losses are based, on the identified cost basis for both financial statement and Federal income tax purposes. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Interest income and estimated expenses are accrued daily.

2. Capital Stock

At November 30, 2001 there were 234,117 shares outstanding. Transactions in capital stock were as follows:

	2001		2000	
	Shares	Amount	Shares	Amount
Capital stock sold	23,496	\$ 329,893	24,166	\$ 282,086
Capital stock issued in reinvestment of distributions	—	—	15,617	191,787
Capital stock redeemed	(25,161)	(363,933)	(34,597)	(406,723)
Net increase (decrease)	<u>(1,665)</u>	<u>\$ (34,040)</u>	<u>5,186</u>	<u>\$ 67,150</u>

EAGLE GROWTH SHARES, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Purchases and Sales of Securities

For the year ended November 30, 2001, purchases and sales of securities, other than United States Government obligations and short-term notes, aggregated \$1,636,602 and \$2,624,652 respectively.

At November 30, 2001, the cost of investments for Federal income tax purposes was \$2,278,848. Accumulated net unrealized appreciation on investments was \$1,195,513 consisting of \$1,198,004 gross unrealized appreciation and \$2,491 gross unrealized depreciation.

4. Investment Advisory and Other Transactions with Affiliates

Baxter Financial Corporation (BFC), is the investment advisor and the administrator of the Fund.

As investment advisor, BFC supervises the Fund's investments on a continuous basis and provides the Fund with investment advice and recommendations for an annual fee equal to .75% of the first \$200 million of net assets, .625% of net assets between \$200 million and \$400 million, and .50% of net assets in excess of \$400 million.

As the Fund's administrator, BFC is responsible for providing overall supervision of the Fund's administrative operations and receives an annual fee of .25% of the average net assets of the Fund.

Both the investment advisory fee and the administrative fee are payable monthly, based on month-end net asset values of the Fund.

BFC also serves as the underwriter of the Fund. For the year ended November 30, 2001, BFC received \$1,048 in commissions from the sale of Fund shares after allowing \$604 to other dealers.

During the year ended November 30, 2001, directors of the Fund who are not affiliated with BFC received directors' fees aggregating \$950 and the Fund's custodian has provided credits in the amount of \$3,185 against custodian charges based on the uninvested cash balances of the Fund.

5. Year-End Distribution

Realized gains from security transactions are distributed to shareholders in December following the end of the Fund's fiscal year. A distribution of \$1.50 a share from realized gains was declared on December 10, 2001. The distribution is payable on December 27, 2001 to the shareholders of record on December 26, 2001.

EAGLE GROWTH SHARES, INC.

FINANCIAL HIGHLIGHTS

The following table sets forth the per share operating performance data for a share of capital stock outstanding, total return, ratios to average net assets and other supplemental data for each year indicated.

Per Share Data	Year Ended November 30,				
	2001	2000	1999	1998	1997
Net Asset Value, Beginning of Year	\$12.19	\$12.60	\$12.95	\$14.86	\$13.57
Income From Investment Operations					
Net Investment Income (Loss)	(0.33)	(0.14)	0.02	(0.07)	(0.14)
Net Realized and Unrealized Gain (Loss) on Investments	3.07	0.60	0.24	(0.20)	1.92
Total From Investment Operations	2.74	0.46	0.26	(0.27)	1.78
Less Distributions From:					
Net Investment Income	—	0.02	—	—	—
Net Realized Gains	—	0.85	0.61	1.64	0.49
Total Distributions	—	0.87	0.61	1.64	0.49
Net Asset Value, End of Year	<u>\$14.93</u>	<u>\$12.19</u>	<u>\$12.60</u>	<u>\$12.95</u>	<u>\$14.86</u>
Total Return* (%)	22.48	3.56	2.08	(1.76)	13.62
Ratios/Supplemental Data					
Net Assets, End of Year (in thousands)	\$3,496	\$2,874	\$2,906	\$3,100	\$3,280
Ratio to Average Net Assets:					
Expenses (%)	3.44	3.10	3.01	2.67	2.75
Net Income (Loss) (%)	(2.25)	(1.13)	0.23	(0.50)	(0.95)
Portfolio Turnover Rate (%)	55	56	95	33	47

*Calculated without sales charge.

See notes to financial statements

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of
Directors of Eagle Growth Shares, Inc.

We have audited the accompanying statement of assets and liabilities of Eagle Growth Shares, Inc., including the portfolio of investments, as of November 30, 2001, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and financial highlights for each of the years presented. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures

included confirmation of securities owned as of November 30, 2001 by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Eagle Growth Shares, Inc. at November 30, 2001, and the results of its operations, changes in its net assets and financial highlights for the years presented, in conformity with accounting principles generally accepted in the United States.

Briggs, Bunting & Dougherty, LLP

Philadelphia, Pennsylvania
December 21, 2001 (Except for Note 5
as to which the date is December 27, 2001)

EAGLE GROWTH SHARES, INC.

EAGLE GROWTH SHARES, INC.

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TRANSFER AGENT AND DIVIDEND DISBURSING AGENT

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